

INTRODUCTION AND SCOPE

In September 1997 the Office of the County Auditor issued a report on the annual Wine in the Woods wine festival sponsored by the Howard County Department of Recreation and Parks. The audit looked at three principal areas: internal controls over cash, profitability of the festival and a comparison of Howard County's contracts to similar contracts of other local jurisdictions. As part of our audit process, we perform follow-up reviews on completed audits to determine the current status of the original report recommendations and to review existing operations.

This audit looked at the financial records of the most recent festival, May 1999. On the revenue side we looked at the internal controls over cash and compared various internal reports to the deposits made. As part of our examination of expenditures, we compared the reported expenses with invoices of various vendors. Our conclusions were based on a review of these documents.

FOLLOW-UP OF RECOMMENDATIONS

We performed an audit of Wine in the Woods and issued a report in September 1997. That audit consisted of examining the internal controls over cash, profitability of the festival and a comparison of Howard County's contracts to similar contracts of other local jurisdictions. The contents of that report included 15 recommendations for areas we felt needed improvement. The scope of this follow-up was to examine the status of implementation of those recommendations and to examine current financial records for Wine in the Woods. Twelve of the fifteen recommendations have been implemented, one through an acceptable alternative. Recommendations in the September 1997 report that have not been implemented are as follows:

1. ***The Department of Recreation and Parks take inventory of promotional items both before and after Wine in the Woods and compare the expected sales from the inventory to the actual sales.***

Administration's Response:

This process was implemented in '97. It has also been recommended that a cash register be used to record sales of promotional items.

Current Status:

In our current review we found only one inventory was completed. We were not able to determine when this inventory was completed, before or after the festival. Furthermore, it did not appear that a comparison of inventory to sales was completed. We still feel that this recommendation is necessary.

Administration's Response:

The Administration concurs with the this recommendation. The Department of Recreation and Parks has now input an inventory database into the computer. Recreation and Parks has receipt books of all sales on site at the event and keeps records of the items used in marketing/promotional baskets and giveaways. A post event inventory was completed in 2000 and will be done each year.

2. ***Future contracts with the Association of Maryland Wineries include a provision that the wineries will pay a flat fee for electricity and reimburse the County for bags of ice used.***

Administrations' Response:

This recommendation will be included in the contract with the wineries for the 1998 wine festival.

Current Status:

We reviewed the contract with the Association of Maryland Wineries for 1999 and 2000. Neither of these contracts included the provision. Through review of invoices we were able to verify that the wineries are paying a flat fee for electricity and reimbursing the County for bags of ice used. We still feel that the provision needs to be included in the contract.

Administration's Response:

The Administration concurs with this recommendation. The Department of Recreation and Parks has created a form to assist in tracking the number of bags of ice used by each winery. The 2001 contract will reflect the use of this tracking method for reimbursement for ice and it will also include payment of a flat fee for the use of electricity.

3. ***Employees at the Department of Recreation and Parks keep a log of their time spent working on Wine in the Woods. The cost of these hours should include the employees' hourly rate plus fringe benefits.***

Administration's Response:

At the start-up meeting for the 1998 festival, hours will be assigned to each committee chair for their work on the event. These hours will then be multiplied by their hourly rate plus fringe benefits.

Auditor's Comment:

While budgeting time is important in the planning process, variances from budgeted amounts often occur. We believe that actual hours should be used to determine the true cost of the event.

Current Status:

The employees at the Department of Recreation and Parks are responsible for keeping track of their time spent working on Wine in the Woods. The time is being reported on the committee budget reports and is calculated based on the hourly rate, not including any fringe benefits. We still feel that it is necessary for the employees to keep a log of their time and the costs should include the employee's hourly rate plus fringe benefits. We have included a sample time sheet for the Department of Recreation and Parks (Attachment 1).

Administration's Response:

The Administration concurs with this recommendation. The sample form attached to the audit has been recreated from the Auditor's sample to be handed out at the first organizational meeting of the Wine in the Woods 2001.

CURRENT FINDINGS

Revenues

The Department of Recreation and Parks provided us with a schedule showing the revenues and expenses of the 1999 Wine in the Woods Festival. From this schedule, we found that there are seven sources of income for the festival. They are: admissions, bike tour, crafts, food, promotions, sponsorships and wineries. Admissions is the largest source of revenue for the festival. In 1999 admissions accounted for \$187,941 of the \$221,363 total revenue.

We attempted to match up the reported income to the amount of cash deposited. From records obtained from the Department of Finance, we found that the deposit for Wine in the Woods was \$185,921. This amount included promotional items of \$3,999 and ticket sales at the gate of \$181,922. This deposit included only money received on the days of the festival. We noted that the deposit from the festival was made in a timely manner.

The first report we attempted to agree to the deposits was the statement of revenues and expenses. This statement showed income of \$183,241 from admissions of which \$1,319 was from advance ticket sales, \$181,922 was from ticket sales at the gate and \$4,321 was from promotions. The difference between the deposit and the statement of revenues and expenses of \$321.50 can be traced to promotions. This amount is considered immaterial and within acceptable limits.

The second report we attempted to agree to the deposit was the admissions report. This report lists the number of people admitted. After the number of attendees is determined, the income derived from each type of ticket (advanced sales, bike tour, general admissions, etc.) is calculated. This report showed total income of \$200,570 of which \$194,700 was from gate receipts. This amount must be reduced to reflect the number of vouchers redeemed. The vouchers, which generate no income, are exchanged for a ticket. The number of vouchers that were reported was 407, they have a value of \$6,105. This reduction would bring gate receipts to \$188,595, which is \$6,673 greater than the deposit. In attempting to explain this difference, we recounted all of the tickets for general admission, designated drivers, youth, and the vouchers redeemed. Our recount showed that

tickets were underreported by 44 and vouchers were underreported by 241. If we recalculate the gate receipts based on our recount of tickets, gate receipts should have been \$185,650. This amount is \$3,728, or 2% higher than deposited. Reconciling this difference was difficult since we were doing this a year after the festival took place. This variance could not be explained by the staff at the Department of Recreation and Parks.

Because of the variance between tickets sold and cash deposited we feel that there needs to be more assurance that all cash received has been deposited. Currently ticket stubs are collected on a hourly basis, and then counted. By reconciling the ticket stubs collected to the deposits at the end of each day of the festival, we can verify that cash has been collected and deposited for all tickets sold. Therefore, we recommend that:

1. ***A reconciliation of ticket stubs to the deposit be prepared each day of the festival, at the close of business.***

Administration's Response:

The Administration concurs with this recommendation. The Department of Recreation and Parks is currently investigating the solution of using battery operated cash registers to further assist in reconciling the ticketed sales to deposits.

Income from advance ticket sales is deposited on a daily basis with all other registrations received. Because the income from the advance ticket sales was mingled with the other sources of income it was not possible for us to trace the income reported to the deposit slip or bank statement. By keeping the income from advance ticket sales separate from all other registrations, better accountability for income from this source would be achieved. Therefore, we recommend that:

2. ***For all advance ticket sales and bike tour tickets, a log be kept of the ticket number sold, the method of payment and amount paid. A separate deposit should be made for each type of ticket sale, and a reconciliation of the sale log to the deposit should be prepared.***

Administration's Response:

The Administration concurs with this recommendation. A revenue code number will be set up to assist in tracking Wine in The Woods revenues in the County system.

The Department of Recreation and Parks also sells promotional items at Wine in the Woods. These include items such as teeshirts, sweatshirts, hats, coasters, food trays, wine totes and visors. The items have the Wine in the Woods logo on them. This logo does not change from year to year and the promotional items are not dated, so they do not become obsolete. For each item sold, a receipt is written, which provides a record of all sales. Cash is collected from the promotions stand in the same manner as the gate collections, but the money is kept separate from the gate receipts. The statement of revenues and expenses shows income from promotions of \$4,321, a \$322 difference from the amount deposited.

Another source of income is the food vendors. The statement of revenues and expenses shows that the amount of income from food vendors was \$12,560. Backup information obtained from the Department showed income of \$12,590. In 1997, the Department of Recreation and Parks initiated a tiered, flat-fee system. The entire fee must be paid before the festival. The pricing is based on the vendor's location within the festival grounds, \$975 for Restaurant Row or \$595 for Side Streets. The Department has been pleased with this change.

The Department of Recreation and Parks attempts to give County vendors the first opportunity to participate in the event. The Department maintains a listing of County vendors that are interested in participating, when a vacancy comes open interested vendors are called first. Currently, there are no county vendors on the listing. Records indicated that of the 16 food vendors, eight are from the County, five are out of County, and three are out of State.

The crafters provide another source of revenue to the festival. They are charged a flat fee of \$125 for each space used. The statement of revenues and expenditures showed that income was \$9,878. In reviewing the records it was determined that \$2,003 was incorrectly reported as craft income, after adjustments craft income was \$7,875. The \$2,003 should have been reported as advanced ticket sales.

Certain companies provide sponsorship for the event. The County received checks totaling \$1,250 for sponsorship. We noted that many companies provided in-kind sponsorship, the total of which was valued at \$99,350. In-Kind sponsorship includes items such as marketing, landscaping, printing, furniture, etc.

The wineries pay the County for electricity and ice. The charge for electricity is a flat fee, while the charge for ice is based on the number of bags used and the price to the County per bag. As previously stated, this provision is not specified in the contract with the Association of Maryland

Wineries and we have recommended its inclusion in a previous recommendation.

Expenditures

We used the statement of revenues and expenditures as the basis for our review of expenditures. The Department of Recreation and Parks has established a series of committees which each handle a specific area of Wine in the Woods. Each committee keeps track of its expenditures separately and the statement of revenues and expenditures combines these committee reports.

We first attempted to agree the expenses listed on the committee reports to those that were listed on the statement of revenues and expenditures. The committee reports listed \$1,179 more expenses than the statement of revenues and expenditures. This variance is due to changes that were made to the final report but not the committee reports.

Next we attempted to verify that the listed expenditures were actual expenses of Wine in the Woods. Since the statement of revenues and expenditures only showed total figures and the committee reports did not have any detail, we asked for other backup information. We were given a detailed transaction list, which showed a list of all expenditures by account number, not including payroll. However, the total of this report did not agree with the committee reports or the statement of revenues and expenditures. The detailed transaction list was \$4,962 greater than the statement of revenues and expenditures and \$3,784 greater than the committee reports. We noted several transactions that were expenses of the 1998 festival. These expenses total \$1,070.57 and did not appear to be carried through to the statement of revenues and expenditures. The remainder of the variances can be attributed to the fact that the committee reports and the statement of revenues and expenditures are prepared prior to all invoices being received.

The committee reports are being prepared prior to the receipts of all invoices, and therefore are not reflecting total expenditures. The detailed transaction listing is prepared from paid invoice and provides a complete accurate listing of expenditures. Therefore, we recommend that:

3. *After all expenses of the festival have been recorded in the detailed transaction listing, all necessary adjustments be made to the statement of revenues and expenditures to determine the actual profitability of the event.*

Administration's Response:

The Administration concurs with this recommendation and in 2000 this requirement was met. After preparing the preliminary report shortly after the festival's end, the Department of Recreation and Parks has gone back repeatedly to include other invoices that have been received and adjusted the report accordingly.

4. *A reconciliation of the detailed transaction listing to the statement of revenues and expenditures be prepared, after all expenses have been determined.*

Administration's Response:

The Administration concurs with this recommendation. A reconciliation of the detailed transaction listing to the statement of revenue and expenditures will be prepared after all expenses are determined.

We also reviewed the detailed transaction listing for the 2000 festival. We noted that the listing included \$4,143.51 of expenses that were for the 1999 festival. We reviewed the committee reports for 1999 and 2000 to see which year they were included in. We did not find them in either year. We feel that better efforts should be made to ensure that all of the expenditures are included so that a true profit or loss can be determined. Therefore, we recommend that:

5. *When the final statement of revenues and expenditures is being prepared, a listing of expenditures for the next period be reviewed to determine what period the expenses need to be applied towards.*

Administration's Response:

The Administration concurs with this recommendation and every effort will be made to determine which expenses are to be included in each year so that reports reflect the proper income/expenditure for each year's event.

We selected a sample of 27 items from the detailed transaction list and ten items from AFIN and examined the records in the Department of Finance to determine if these charges were proper for Wine in the Woods, and to ensure that they were properly approved. All of the payments were approved by someone who had proper signature authority. Of the 37 items examined, three of the items were reported differently on the detailed transaction list and AFIN. The difference for these three items totaled \$405.88. We deemed this amount to be immaterial and passed on further investigation.

In reviewing the payment to the Maryland Association of Wineries we noted that the Department of Recreation and Parks miscalculated the amount owed, resulting in an overpayment of \$3,130. We discussed this matter with the staff at the Department of Recreation and Parks, and they concurred with our conclusion. We have advised the Department to deduct the \$3,130 from the payment for the FY 2000 wine festival (Attachment 2). In the future the terms of the contract need

to be reviewed before payment is made to the Maryland Association of Wineries. Therefore, we recommend that:

6. **The terms of the contract with the Maryland Association of Wineries be reviewed prior to calculating the required payment.**

Administration's Response:

The Administration concurs with this recommendation. It is very important that the Maryland Association of Wineries contract be reviewed by the Director, the committee chair as well as the event coordinator/assistant prior to calculating the required payment. The Association is presently repaying the County for a previous miscalculation brought to the Department of Recreation and Parks attention by the Auditor's Office.

Profitability

The statement of revenues and expenditure for the 1999 festival, as prepared by the Department of Recreation and Parks shows a profit of \$6,934.35. After the necessary adjustments are made the net profit of the festival would be \$2,029.00 (Attachment 3).

We also requested information on the 2000 event. The unaudited statement of revenues and expenditures for the festival held in 2000 shows a net loss of \$69,714, a decrease of \$72,921. The Department of Recreation and Parks believes the decrease in revenue is directly related to the inclement weather on the days of the festival. The preliminary statement of revenues and expenses was not reviewed by our office.

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